GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3608
ANSWERED ON:27.04.2007
MERGER OF BANKS
Maheshwari Smt. Kiran;Sugavanam Shri E.G.

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has merged / proposed to merge some public sector banks;

(b) if so, the details thereof and the reasons therefor;

(c) the criteria adopted for their merger;

(d) whether several employees are likely to be affected by merger; and

(e) if so, the benefits likely to accrue to the Government from merger of public sector banks?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PA WAN KUMAR BANSAL)

(a) to (d) : Committee on Banking Sector Reforms (Narasimham Committee) had recommended consolidation in the banking sector as part of wider financial sector reforms. Government is of the view that any proposal for consolidation by way of merger etc. of one public sector bank (PSB) with another PSB should emanate from the concerned banks with Government playing a supportive role as the common ` shareholder. While supporting any merger proposal, Government will ensure that the interests of the stakeholders and employees of merging banks are adequately protected. However, so far, Govt. has not received any such proposal from any public sector bank.

(e) Consolidation in banking sector is expected to improve economies of scale in terms of footprint, manpower and other resources. While larger size enables the banks to face competition arising from internationalisation of the economy, besides entailing better management of risks, small and weak banks pose systemic risks with their low capital adequacy ratio and high Non-performing Assets (NPAs). Consolidation is a timely response to augment efficiency, which would lead to income generation and add to Gross Domestic Product (GDP) of the country.